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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 05/21/08

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Prime Minister's schedule, May 20

NIKKEI (Page 2) (Full)

May 21, 2008

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08:25

Attended a meeting of the Overseas Economic Cooperation Conference in the Diet Building.

09:01

Attended a cabinet meeting. Health, Labor and Welfare Minister Masuzoe and Chief Cabinet Secretary Machimura stayed behind.

09:34

Met Internal Affairs Minister Masuda and Assistant Deputy Chief Cabinet Secretary Saka at the Kantei. Followed by State Minister of Consumer Affairs Kishida, joined by Machimura.

11:30

Met at his official residence with New Komeito President Ota, Secretary General Kitagawa, Diet Affairs Committee Chairman Urushibara, and others, with Machimura, deputy chief cabinet secretaries Ono and Iwaki.

14:34

Met Deputy Chief Cabinet Secretary Futahashi at the Kantei.

15:26 Met Lower House members Seiken Sugiura, Taku Yamamoto, and Ichiro Miyashita.

16:03

Met METI Vice Minister Kitabata, Industrial Technology and Environment Policy Bureau Director General Ishida, and Natural Resources and Energy Agency Director General Mochizuki. Later, met Nitori Co. President Akio Nitori, with Executive Council Chairman Nikai and LDP Reform Implementation Headquarters chief Takebe, and others present.

17:15

Attended a meeting of the Council on Economic and Fiscal Policy.

19:02 Met JICA President Sadako Ogata and actress Mayu Tsuruta.

19:22

Met at his official residence with Secretary General Ibuki, Policy Research Council Chairman Tanigaki, and other LDP executive members, with Machimura present. Joined by Election Committee Chairman Koga and Nikai.

21:15

Met Machimura.

4) U.S. Ambassador to Japan Schieffer calls on Japan to expand defense spending

MAINICHI (Page 3) (Full)

May 21, 2008

In a speech yesterday to the Foreign Correspondents Club of Japan, U.S. Ambassador to Japan Schieffer called on Japan to increase its defense spending, as well as to strengthen cooperation with the United States in the area of weapons procurement. The Ambassador

pointed out that while such countries in Northeast Asia as China and Russia are expanding defense spending, Japan's expenditures "have hardly changed since 1998, and are shrinking in terms of GDP." He said: "It should consider a larger contribution for national security."

5) U.S. soldiers' use of rental cars for leisure purpose: Japan

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bears highway tolls; USFJ issues toll free passes; SOFA violation likely

TOKYO SHIMBUN (Page 27) (Full)
May 21, 2008

Shigeru Handa, senior writer

U.S. military bases in Japan give a "certificate for transit of toll roads by military vehicles"-or a highway toll free pass-to U.S. military personnel and their families when renting out military vehicles, the Tokyo Shimbun has found. The Japanese government shoulders highway tolls for U.S. military personnel using highways for official business. However, it means that the Japanese government has been made to foot the bill even for U.S. soldiers' leisure. The Defense Ministry has inquired of U.S. Forces Japan headquarters about the facts, suspecting that it is a violation of the Japan-U.S. Status of Forces Agreement.

The 374th Airlift Wing, which controls the U.S. Yokota Air Base, has its own website, Yokota AB Services. This website used to upload an advertisement of rental car services to look around in Japan. It had a description, saying: "Rent-a-car rates include tolls for most highways."

This wording can be taken as indicating USFJ's handout of the certificate to U.S. military personnel using rental cars. This phrase, however, has now been erased.

USFJ, under SOFA's Article 5-2, is exempted from highway tolls if its SOFA personnel hand in a U.S. military pass at a toll gate when using a highway for official business. These toll free certificates are sent in to the Defense Ministry's nine local defense bureaus across the nation, and the Defense Ministry foots the bill.

In fiscal 2007, the Defense Ministry paid 884 million yen for a total of 995,000 cars. Even in the case of U.S. military vehicles, the Defense Ministry does not shoulder highway tolls for leisure or any other purposes outside official business. The U.S. military seems to understand that U.S. military personnel's use of rental cars falls under welfare for official business.

The Defense Ministry's Compensation Division has inquired of USFJ headquarters about the facts-such as what the now-erased webpage phrase meant-in order to check if U.S. military personnel's use of the toll free certificate was not a violation of SOFA. In addition, the Defense Ministry has also asked USFJ to submit a list of its rental cars' license plate numbers. In this regard, the Defense Ministry is planning to check through its local defense bureaus to see if the toll free certificate was used for rental cars.

In 1993, copies of the highway toll free certificate, signed by a U.S. military officer for transport affairs, were used at highways across the nation. There were also scams with such copies being floated to discount ticket stores. The U.S. military currently numbers the certificate serially for appropriate use.

USFJ still issues certificate

The Tokyo Shimbun asked USFJ about the highway toll free certificate for its personnel's use of rental cars. In response, USFJ's press office at its headquarters answered that USFJ "still issues the

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certificate even now." With this, USFJ owned up to the fact that

U.S. military bases in Japan have handed out the certificate to U.S. military personnel and their families renting cars.

The 374th Airlift Wing's website had a description saying the rent-a-car rates include highway tolls, but this phrase has now been erased from its webpage. Asked why, the USFJ press office explained: "That is because Japan and the United States will discuss this matter."

6) Basic space law to clear Diet today, with scant debate by DPJ on defense purposes

ASAHI (Page 4) (Abridged slightly)
May 21, 2008

Basic space legislation opening the door to the use of space for military purposes is expected to clear the Diet today with the Liberal Democratic Party, Democratic Party of Japan, and New Komeito casting a majority of votes in an Upper House plenary session. The contents of the law change the country's basic policy of using space only for peaceful purposes in principle. Because the DPJ responded to ruling camp calls for talks on bill revisions, the legislation will now be enacted only after a only four hours of deliberations in the Diet. The stance of the DPJ, which has failed to thorough debate the bill, is likely to draw criticism.

In yesterday's Upper House Cabinet Committee session, which endorsed the bill, some proponents played up the legislation's significance:

LDP member and former education, science and technology minister Takeo Kawamura said: "The nation will pursue space development in line with its exclusively defense-oriented policy."

DPJ Upper House member Goshi Hosono noted: "The legislation can be used in removing disaster risks and exploring resources."

Opening the door to defense purposes has long been called for by LDP lawmakers connected to space projects and some economic circles eager to revitalize the space industry. The major obstacle has been the 1969 Diet resolution limiting the use of space to peaceful purposes only. The government has interpreted "peaceful use" as "nonmilitary purposes." But adding the new phrase "to contribute to the security of Japan" to the objectives of the legislation, the government has effectively altered its interpretation.

The ruling parties submitted last June a bill removing the ban on defense purposes. Many members of the DPJ's space legislation project team (PT) also regarded the ban on defense purposes as a major obstacle to revitalizing the space industry. The three parties jointly re-submitted the legislation in May following the ruling bloc's acceptance of the DPJ's counterproposal.

The DPJ has not conducted in-depth discussions on the legislation that concerns the foundation of the nation's security policy. There is a wide-range of views in the party on the Constitution and security. Conducting thorough discussions to narrow down differences in views might delay reaching a conclusion. For this reason, the PT has continued leaving security outside the focus, reporting to the defense and foreign affairs department retroactively.

The legislation includes the phrase "based on the principle of

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pacifism found in our Constitution." The Cabinet Committee also passed an additional resolution specifying the need to ensure transparency in information on space development and to make efforts to improve the law governing space activities within two years of the legislation's enforcement.

Asked about the possibility that the legislation will pave the way for deploying early warning satellites, which will play a central role in a missile defense system, the LDP's Kawamura said, "Such will be possible in relation to the law." Although the DPJ's PT Secretary General Masamitsu Naito said, "The legislation is not designed to allow the government to sign a blank check," the party has yet to discuss specific ways to apply brakes to using space for

military purposes.

7) SDF dispatch permanent law: Ruling bloc's project team to hold inaugural meeting on May 23

NIKKEI (Page 2) (Abridged slightly)
May 21, 2008

LDP Foreign Affairs Commission Chairman Taku Yamasaki and his New Komeito counterpart Natsuo Yamaguchi held a meeting within the Diet building yesterday. As a result, the two reached an agreement to hold the inaugural meeting on May 23 of the ruling bloc's project team on a permanent law governing the overseas dispatch of the Self-Defense Forces. Although the team will forgo a plan to submit a bill to the current Diet session, it will conduct discussion with the aim of submitting legislation to the next extraordinary Diet session in the fall.

Yamasaki is scheduled to head the team. Yamasaki plans to make the team come up with the law's outline before the current Diet session closes on June 15 to be prepared for the extra Diet session in the fall. With many New Komeito members remaining cautious about permanent legislation, a number of twists and turns are expected.

The two parties initially planned to launch the project team in February. But the collision between the Maritime Self-Defense Force's Aegis ship and a fishing boat occurred, prompting the New Komeito to raise an objection, saying, "The environment is not right for it." Thus the project team plan has been postponed, and the move to explore ways to submit a bill to the Diet also ceased.

Nevertheless, the special legislation governing the MSDF's refueling operation in the Indian Ocean is scheduled to expire on January 15, 2009. In order to extend the refueling mission, revision to the law must be approved in the next extraordinary Diet session in the fall. The ruling and opposition blocs are likely to clash head on over the legislation. There is a view in the ruling bloc that a permanent law would be easier to obtain the DPJ's understanding.

8) Government to disburse 2.5 billion dollars in financial aid to Japanese firms planning to invest in Africa

ASAHI (Page 6) (Full)
May 21, 2008

The government yesterday unveiled its comprehensive investment-promotion package aimed at doubling Japanese firms' direct investment in Africa. The package includes measures to disburse 2.5 billion dollars (approximately 260 billion yen) in

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financial aid over the coming five years starting next fiscal year and to improve the environment for investment by making use of trade insurance and a human resource-cultivation fund. Prime Minister Fukuda will announce the package at the 4th Tokyo International Conference on African Development (TICAD) to start on May 28. Economy, Trade and Industry Minister Amari and other officials also plan to reveal the aid package during the conference.

The Japan Bank for International Cooperation (JBIC) will take charge of the aid plan worth 2.5 billion yen. The government plans to establish next spring an "Africa investment facility," a system to invest in and offer loans to Japanese companies planning to invest in Africa. JBIC will assume some of the risk involved in investment as measures to encourage private firms to invest in Africa. Eligible for the aid will be plans to develop natural resources, such as crude oil and rare metals, and to construct plants related to such resources, as well as electricity business. Money equivalent to 10 to 20 PERCENT of the total cost will be offered per plan. Additionally, debt guarantee will be provided for an amount about 10 times more than the total amount of investment.

Nippon Export and Investment Insurance (NEXI) has reached an agreement with the Islamic Corporation for insurance of Investments and Export Credits (ICIEC) - joined by 36 countries in Africa and the Middle East and has taken out insurance on goods exported by

investing companies. Since no insurance is carried on goods traded among African countries in many cases, trade with Africa is risky. Given this, NEXI is aiming to reduce risk.

The Patent Agency has decided to invest 110 million yen in the World Intellectual Property Organization this fall to create a fund to foster human resources responsible for protecting intellectual property rights in Africa. The Japan Oil, Gas and Metals National Corporation will start a full-scale exploitation of underground resources in southern Africa, such as Botswana, with an eye on Japanese firms' participation in resource-development projects.

9) Japan decides to double ODA for Africa, but tough job remains to secure fiscal resources

SANKEI (Page 2) (Full)
May 21, 2008

The government yesterday held a meeting of the Overseas Economic Cooperation Council (chaired by Prime Minister Yasuo Fukuda) in the Diet and adopted a policy of doubling the official development assistance (ODA) budget for Africa over the next five years until 2012. Japan intends to focus its aid on constructing infrastructure, including a network of roads. Japan also aims to double direct investment by the private sector in Africa. The prime minister will announce this policy at the upcoming fourth Tokyo International Conference on African Development (TICAD) in Yokohama City starting on May 28. With tight state finances, the government has been forced to slice the ODA budget as a whole, but ODA projects for Africa have now been decided to be treated as exceptions.

In the meeting yesterday, Fukuda told relevant cabinet members: "I will announce a strong initiative that will help develop Africa. I want you and each government ministry and agency to address this so that it will be realized."

In order to help Africa, Japan intends to gradually increase its

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average ODA budget of some 100 billion yen for Africa for the past five years up to 200 billion yen in 2012. The increased portion of the ODA budget for Africa will come to some 300 billion yen during a five-year timeframe. Japan also aims to double direct investment by the private sector in Africa from the currently approximately 170 billion yen to some 340 billion yen by making the better use of trade insurance. Under the increased ODA budget, Japan plans to expand cooperation on maternal and child health and tackle the issue of improving agricultural productivity.

Standing in the way of this policy is a set of policy guidelines for economic and fiscal management and structural reform issued in 2004. The guidelines instruct that the ODA budget as a whole be reduced 2-4 PERCENT every year in order to move the primary balance into the black in fiscal 2011. In this connection, Chief Cabinet Secretary Nobutaka Machimura said at a press conference yesterday: "We need to discuss the matter separately as to how we will handle it in the process of making the next fiscal year's budget and in a new set of policy guidelines for economic and fiscal management and structural reform to be prepared by the end of June."

The ODA budget for Africa will be excepted from other budgets subject to reduction, but coordination between the Ministry of Foreign Affairs (MOFA) and the Ministry of Finance (MOF) has been hard going. On May 19, the Council on the Fiscal System, Etc., an advisory panel to the finance minister, gave a warning against the move to increase the ODA budget and incurred MOFA's objection. A tug of war between the two ministries is likely to continue before a new set of policy guidelines for economic and fiscal management and structural reform is prepared.

10) Foreign Ministry, Finance Ministry to clash over ODA to Africa

YOMIURI (Page 2) (Full)
May 21, 2008

Prime Minister Fukuda yesterday announced plans to double Japan's

official development assistance (ODA) disbursements to Africa and Japanese firms' investment in the continent over the next five years through 2012. But the government's annual economic and fiscal policy guidelines for 2006 came up with the policy of slashing the ODA budget. How to coordinate this policy and the new plan will be the focus of attention in future negotiations.

The 2006 guidelines specified an annual 2-4 PERCENT cut in the nation's ODA budget until FY2011. The Finance Ministry and the Foreign Ministry will inevitably crash head-on in negotiations on the guidelines for FY2008, which the government will finalize by the end of June.

11) Japan to offer 1 billion yen in technical cooperation for Africa to secure safe water supply

SANKEI (Page 2) (Full)
May 21, 2008

The government yesterday decided to establish a "water defense unit" that will work to secure drinking water by digging wells and to send the unit to African countries with the aim of raising the living standards of the poor people in Africa. This technical cooperation will be on the budgetary scale of 500 million yen to one billion yen per year, and Japan will announce it at the upcoming fourth Tokyo

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International Conference on African Development (TICAD).

Regarding the issue of improving the water-related environment in developing countries, the United Nations declared in its Millennium Development Goals (MDGs) that specify the goals to attain by the year 2015 that the percentage of people who are unable to use safety water should be halved. Among a set of assistance measures for Africa Japan decided at a meeting yesterday of the government's Overseas Economic Cooperation Council, extending assistance for improvement in the water-related environment is one of the key elements in the assistance measures.

The water defense unit will consist of some 20 experts from the waterworks department and former waterworks department officials. Based on Japan's know-how, they will instruct local people how to dig wells and how to maintain waterworks by preventing water leakage with the aim of providing safety water to local people. The government plans to the water defense unit to four to five countries every year.

12) Government decides to dispatch several SDF personnel to AU headquarters to assist standby force

MAINICHI (Page 1) (Full)
May 21, 2008

The government yesterday firmed up its policy intention of dispatching Self-Defense Forces (SDF) personnel to African Union (AU) Headquarters in Addis Ababa, Ethiopia, to assist the African Standby Force (ASF) that the AU has created. The government's thinking is to showcase this as part of the major theme, consolidation of peace, of TICAD4, the African development conference that will open in Yokohama on May 28.

A major cause of the delay in Africa's development is considered to be the disputes that have broken out one after another in each part of the continent. The purpose of ASF is to allow Africa to deal with such problems on its own as the first stage of dispute resolution prior to United Nations peace-keeping operations (PKO). The plan is to establish such by 2010.

Being considered as the destinations of the SDF dispatch are AU Headquarters, where several personnel would be sent, and the PKO centers (in five locations including Kenya), where ASF personnel will be trained. The assistance would involve providing know-how on PKO dispatches, as well as such non-military assistance as guidance in removal of landmines.

13) Government to send cabinet-level member to Burma aid conference

NIKKEI (Page 2) (Abridged slightly)
May 21, 2008

A senior Foreign Ministry official indicated yesterday that the government would send a cabinet-level member to the post-cyclone aid conference, to be held on May 25 in Burma's Yangon by the United Nations and the Association of Southeast Asian Nations (ASEAN).

Meanwhile, Foreign Minister Masahiko Koumura held talks with Burmese Ambassador to Japan Hla Myint at his ministry. Koumura again urged Burma to speedily accept a Japanese emergency medical team by telling the ambassador, "Although we have already provided supplies to your

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country, we are also ready to extend human aid." In response, the ambassador simply said that he would convey Japan's offer to his home government.

14) Burma accepts Japan's human assistance

MAINICHI (Page 3) (Full)
May 21, 2008

Yoso Furumoto

In order to restore Yangon Port -- where ships cannot now navigate because a large number of ships that sank in the recent cyclone Nargis -- the government has decided to send three experts to survey the situation. Japan is the first country Burma (Myanmar) has allowed to provide human assistance in the aftermath of the cyclone.

Japan decided to dispatch the experts in response to the Burmese government's request. Foreign Minister Masahiko Koumura yesterday revealed the decision to dispatch experts to Burma to the Burmese ambassador to Japan.

The Japanese experts to be sent are officials from an independent administrative agency under the control of the Ministry of Land, Infrastructure and Transport. They are expected to arrive in Burma on May 25. Koumura also conveyed to the Burmese ambassador Japan's willingness to send a medical team, if requested.

15) Prime Minister Fukuda likely to visit Germany, Italy, Britain in early June

ASAHI (Page 4) (Full)
May 21, 2008

The government has begun coordination on a schedule for a three-day trip for Prime Minister Yasuo Fukuda to Germany, Britain and Italy starting on June 1. Fukuda will likely attend a food security summit, which will start on June 3 in Rome. He intends to play up his positive stance of tackling with the food issue before Japan hosts the Group of Eight summit in July in Hokkaido.

According to government officials, Fukuda plans to meet on June 1 in Germany with Chancellor Angela Merkel and on June 2 in Britain with Prime Minister Gordon Brown. In Italy, after delivering a speech in the food security summit the Food and Agriculture Organization of the United Nations will hold starting on June 3, Fukuda plans to meet in Rome with French President Nicolas Sarkozy and with Italian Prime Minister Silvio Berlusconi. In an attempt to meet with the leaders of major European countries prior to the G8 summit, Fukuda had looked into the possibility of making a trip to Europe during the Golden Week holidays from late April to early May, but he had to give it up due to a tight Diet schedule. He only visited Russia in late April.

16) Machimura-Rice telephone talks on North Korea

YOMIURI (Page 4) (Full)
May 21, 2008

U.S. Secretary of State Condoleezza Rice last night telephoned Chief

Cabinet Secretary Nobutaka Machimura. In their 30-minute

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conversation, Machimura and Rice appear to have exchanged views on the North Korean nuclear programs such as the operational records of nuclear power reactors North Korea has presented to the United States.

17) Three-hour meeting between Prime Minister Fukuda, New Komeito head Ota giving rise to much speculation

TOKYO SHIMBUN (Page 2) (Full)
May 21, 2008

A three-hour meeting yesterday between Prime Minister Yasuo Fukuda and New Komeito Akihiro Ota is prompting all sort of conjectures.

After the meeting, Ota told the press: "We had a talk so that we could come up with policy measures for the elderly people."

Since a bill amending the Road Construction Revenues Special Exemption Law was enacted by a two-thirds overriding vote in the House of Representatives, the government and ruling parties have overcome a critical point in the current Diet session. Since the two party leaders chose this time to hold a tte-`-tte, speculation broke out that Fukuda and Ota discussed a cabinet shuffle or Lower House dissolution.

A senior Liberal Democratic Party (LDP) member pointed out: "I think they did not talk about only policy for three hours. They might have discussed such thorny issues as the timing for dissolving the Lower House."

One of the senior New Komeito members briefed by Ota on May 19, wondered aloud: "Considering the contents of his meeting as Mr. Ota explained, it would have been difficult for them to spend three hours discussing such in their meeting."

18) Ozawa: Lower House dissolution will definitely occur during September-December period

YOMIURI (Page 4) (Full)
May 21, 2008

Democratic Party of Japan (DPJ) President Ichiro Ozawa dined last night at a Chinese restaurant in Tokyo with about 30 DPJ House of Representatives members now serving in their 3rd and 4th terms. Referring to the possibility of dissolution of the Lower House, Ozawa said: "I'm sure that the Lower House will be dissolved sometime in the period between September and December."

Ozawa then added: "I want you to do your best during the hot summer season so that you will have a fruitful fall."

Ozawa denies rumor of his changing electoral district

When asked by reporters about a rumor that he would change his electoral district from the present Iwate No. 4 constituency to the Tokyo 12, DPJ Ichiro Ozawa rejected the possibility, saying: "I don't have any such intention now."

19) LDP start looking into consumption tax increase, speeding up timetable with eye on pension

ASAHI (Page 1) (Full)

TOKYO 00001386 012 OF 012

May 21, 2008

The Liberal Democratic Party (LDP) yesterday started looking into raising the consumption tax rate with the aim of securing funding resources for the planned increase in the share of tax revenues in the basic pension and covering the growing medical expenses for elderly people in a stable manner. Senior members of the party's Tax

System Research Commission, chaired by former Welfare Minister Yuji Tsushima, conferred on the matter and decided to speed up a timetable for discussion of drastic reform of the tax code, including the consumption tax.

Though a consumption tax hike issue has been cropped up for the past several years, an actual hike has been forgone. However, with the time to raise the share of tax revenues in the basic pension close at hand, a view calling for hiking the rate is gaining ground as one senior LDP official noted, "There is no other way than to resort to the consumption tax." Concerning the criticism of the new medical service system of elderly people aged 75 and older, Secretary General Bunmei Ibuki pointed out, "If pension contributors become unable to cope with a rise in the pension premium, then the matter comes to discussion of the tax issue." The judgment is that since efforts to constrain social security expenses have their own limits, it is necessary to resort to consumption tax revenues.

Senior members' meeting joined by Chairman Tsushima and subcommittee chairman Kaoru Yosano took place about five months earlier than last year. The LDP wants to take time on discussions of its plan so that it can obtain the public's understanding, thereby involving opposition parties.

The government's Tax Research Commission, which usually starts discussion on a tax code revising in the fall, will speed up the timetable and hold a meeting shortly at the order of Prime Minister Fukuda.

20) Passage of public servant bill seems difficult

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Prime Minister Fukuda has ordered the ruling parties secure Diet approval for a basic bill reforming the national governments employee system. However, such a possibility now appears slim. That is because while the Democratic Party of Japan (DPJ) has decided to oppose the bill unless their request for a revision of the bill regarding a ban on the golden parachute practice and expansion of the basic labor right is met, there is a slim possibility of the ruling parties complying with such a request. DPJ President Ozawa during a press conference yesterday explained, "The bill has a problem of institutionalizing the golden parachute practice." Secretary General Yukio Hatoyama met with Diet Affairs Committee Chairman Kenji Yamaoka. Based on the wishes of the Japanese Trade Union Confederation (Rengo), both agreed to oppose the government's plan unless expansion of the basic labor right is approved.

SCHIEFFER